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INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 SOFIA 000633

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E.O. 12958: DECL: 09/18/2018

TAGS: [PGOV](#) [PREL](#) [BU](#)

SUBJECT: BULGARIA: POLITICAL MANEUVERING INTENSIFIES,
RAISES PROFILE OF US ENGAGEMENT

Classified By: ambassador nancy mceldowney for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Bulgaria's three party ruling coalition is limping through its last year, gasping to complete its five year mandate. Smelling blood, the opposition is hounding the government through joint protests and calls for early elections. Suffering from low ratings and growing domestic and international criticism, the government hopes to shore up its base with populist spending from the budget surplus and convince the EU -- and the public -- that it is seriously tackling corruption. Internal tensions within both the Bulgarian Socialist Party (BSP) and the coalition hamper government maneuverability. The 2009 budget, viewed as an informal vote of confidence in the government, will further test coalition unity. Bracing for a tough legislative slog and even more daunting elections, the government still reaches out to us and is open to what we want to accomplish with overseas deployments, military cooperation and modernization, support for Georgia and rule of law. Though the country's attention will increasingly turn toward domestic issues, all players are pushing to profile their engagement with us. END SUMMARY.

12. (C) Bulgaria's impressive economic gains over the past four years, EU entry, and a stable currency have not much helped the governing coalition. Voters have pocketed all good news. And while Bulgarians are talking a good game, they are bracing for fallout from the U.S. economic condition. For the government, any economic shock would be damaging. Favorable ratings for the government are in the 20's; and while PM Stanishev outpolls his party, he badly trails his main contender, Sofia mayor Borissov. Gearing up for a nasty mudfest, BSP has tarred Borissov, virtually ignoring other parties, calculating that BSP will likely finish second and is shooting to close the gap. The divided center-right opposition parties are meanwhile pounding the wobbly ruling coalition and calling (though not truly meaning it) for early elections. Their calculus is to bleed the BSP, gain some altitude themselves, beat the barrage threshold to get into Parliament, and leverage votes to join a coalition led by Borissov's GERB. Their tactical gamesmanship now consists of feints and jabs and misdirection in the jostle for the end run.

13. (C) At most risk is ex-king Simeon's NMSS, which has sunk below the margin of polling error. To boost its visibility, it will exploit the 2009 budget battle for partisan purposes. The budget shapes up as a de facto vote of confidence, where small missteps can undermine government cohesiveness. Coalition partners are drawing battles lines over distribution of 1.22 billion leva from an expected surplus. BSP plans to use the surplus for social benefits, including one-off social payments and a 10 percent pension raise. The opposition blasts the plan as "legal vote buying" and accuses the government of fueling inflation with lavish spending. The inside bets are that the coalition will survive, but with so many deals and sub-deals that voters will be further alienated. Between now and elections, which must be held no later than July 2009, we are likely to experience much domestic sound and fury, distracting and

pre-occupying the political class. With voter turnout predicted to be at historic lows, and political survival at stake for many MP's, the parties are lurching to get their campaigns in order.

14. (C) Beyond this din, some things to look for. First, the battle for the future of the BSP is underway. President Parvanov and PM Stanishev have papered over personal and policy differences, but the underlying rift remains. With a voter base that is elderly, rural and poor, BSP needs to transform itself for the coming battle. A particularly contentious issue is a plan supported by Parvanov to amend the country's proportional representational system to allow people to vote for personalities rather than fixed, rank-ordered lists of party candidates. The issue sharply divided the BSP, which has yet to adopt an official party position. The technocratic, modernizing, social democrat Stanishev will face a make or break November party congress. Stanishev's success in pushing his reform agenda is no foregone conclusion as powerful old-line party barons and Presidential loyalists line up against him. Compromise and dead of night deals lurk.

15. (C) Second, as Borissov's GERB is considered the party to beat, the fight will be personal and negative. With the Sofia mayor tainted by allegations of corruption and shady connections to 1990's organized crime groups, BSP strategists look to cast the elections as a "referendum on Borissov." Meanwhile Borissov keeps up steady attacks on the government, calling for early elections, and staging joint protest actions with the center-right opposition parties -- Union of Democratic Forces (UDF) and Democrats for a Strong Bulgaria

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(DSB) -- to keep the pressure on. The trade unions have for the time being resisted invitations to join in the protests, but could add their numbers at any time, likely if the price is right. But, don't expect BSP to go completely overboard.

GERB's vote totals will determine the shape of a future coalition and likely ministerial line up, so there is already debate within the BSP whether to seek a possible "cohabitation partnership."

16. (C) Third, the EU will exert tremendous, if unwanted influence. Its damning report on Bulgaria's misuse of EU funds rocked the government in July. Stanishev's government is at pains to show it is taking real steps to address the criticism ahead of February's EU's report on justice and home affairs. Senior Socialists tell us the fight against corruption is a double-edged sword and the PM must move carefully. The public can interpret successful prosecution of corrupt government officials as evidence of the party's corruption and further dim the BSP's electoral chances. Heading to February, the government will reach out to key EU member states to soften the follow-on EU report. And, both BSP and the center-right opposition parties will touch their ideological brethren in Europe (especially for the Euro-parliamentary elections) for electoral advice and backing.

17. (SBU) Fourth, and most important for us, Bulgarians) in and out of government) look to the U.S. for guidance and support. At the Prime Minister's invitation, we are helping with reform of the intelligence agencies, overhaul of the Ministry of Interior, reform of the prosecutorial service, and Defense Ministry reform and military modernization/procurement. Bulgaria has come through on deployments to Iraq and Afghanistan, Kosovo recognition, and a host of other security related matters. Our engagement will be instrumental in defining Bulgarian policy on Russia and energy. With SPE Gray coming in early October and the largest ever joint military exercises concluding in mid-October, we will shape Bulgarian decision-making. As Bulgaria enters a hot political autumn and even hotter political spring, it will not be business as usual internally. On foreign and security policy, our access and

influence will be undiminished as Bulgaria looks to bolster
its international and transatlantic image.
McEldowney